# Successful HR Strategies for Building an Ethical Workplace Culture

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# Today's Agenda

- Current State

- Good for Business

- Ethical Workplace Culture

- HR Strategies

- Ethical Practice - HR Competency

**Big Business scandals**



$13 billion

Unethical practices
$1.228 trillion

## Lack of Trust in Leaders



*15 %*

*28%*

*"The steady and sharp drop in misconduct since 2007 suggests that something both fundamental and good is taking place in the way Americans conduct themselves at work."*
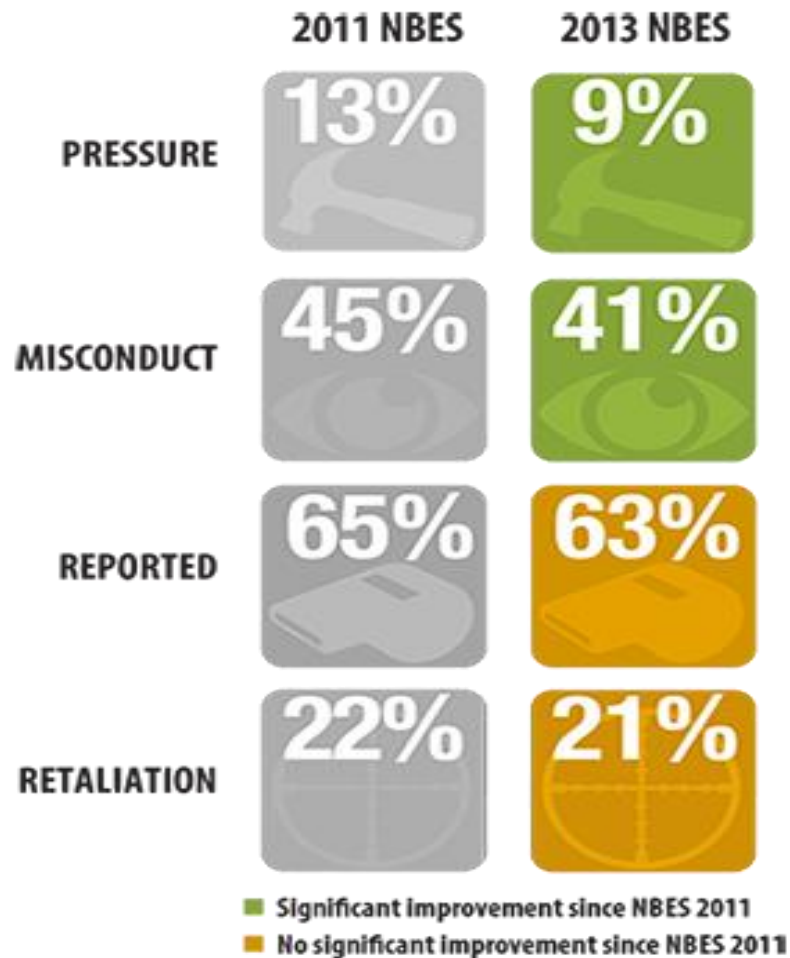
National Business Ethics Survey
Ethics Resource Center
July,  2013

## 2014 ERC National Business Ethics Survey



| | 2011 NBES | 2013 NBES |
|---|---|---|
| PRESSURE | 13% | 9% |
| MISCONDUCT | 45% | 41% |
| REPORTED | 65% | 63% |
| RETALIATION | 22% | 21% |

- Significant improvement since NBES 2011
- No significant improvement since NBES 2011

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## 2014 ERC National Business Ethics Survey



HIGH RETALIATION RATE: *A Cause for Concern*

More than 1 in 5 U.S. workers [21%] who reported misconduct said they experienced retaliation. That is about 6.2 million Americans."

2014 ERC National Business Ethics Survey

## Good news - Strong:

60% in 2011 to 66% in 2013

20% observed misconduct

## Weak:
88% observed misconduct

**An Ethical Culture Brings Higher Performance**

<u>1997 – 2013</u>

100 firms outperformed 200%

Fortune 100
Best Companies to Work

1.8% versus 6% S&P 500

*Source:  Great Place to Work Institute 2014*

**An Ethical Culture Brings Competitive Advantage**
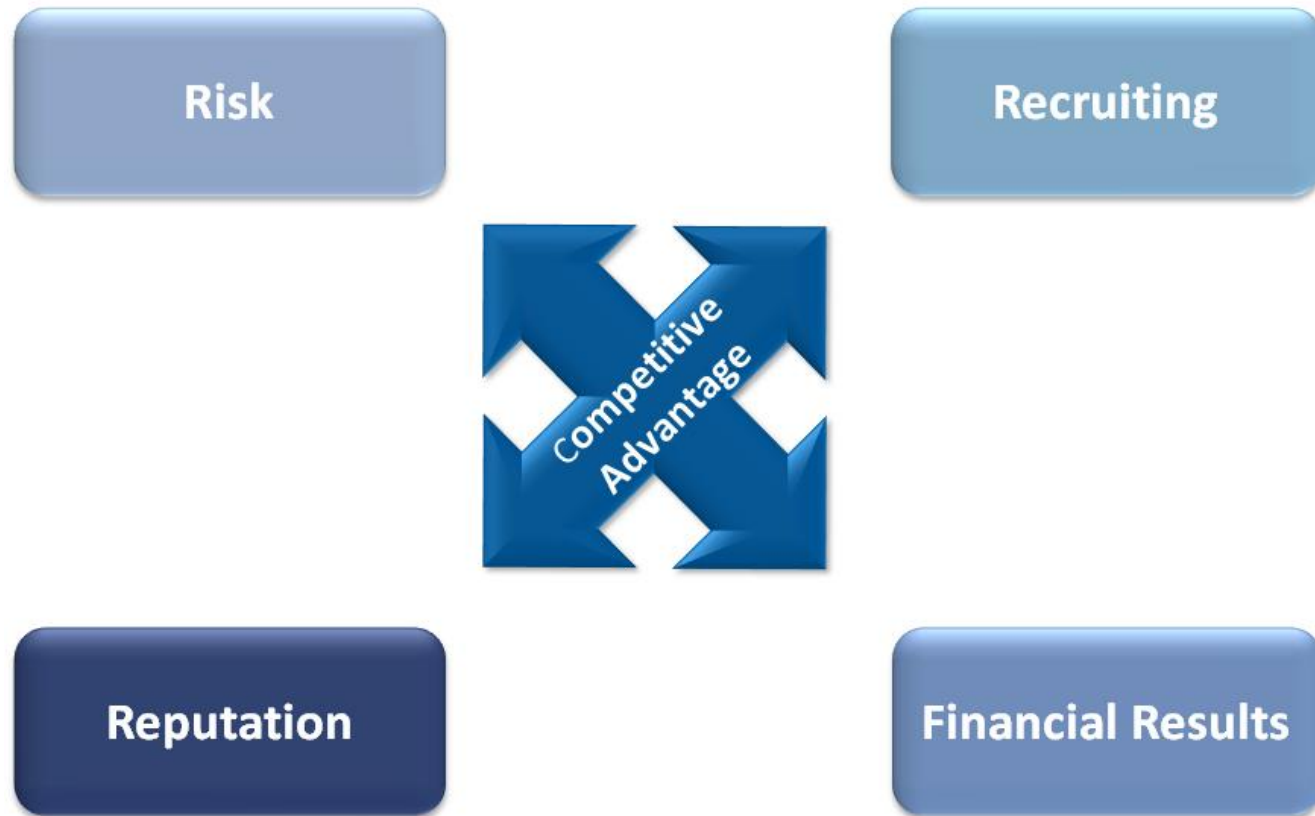
## An Ethical Culture Benefits Employees and Management



- Higher employee job satisfaction

- Increased legal/rule compliance

- Increased organizational commitment

- Increased cooperation

- Increased change management success

- Increased attraction of high-potential talent

- Lower turnover

- Lower health care costs
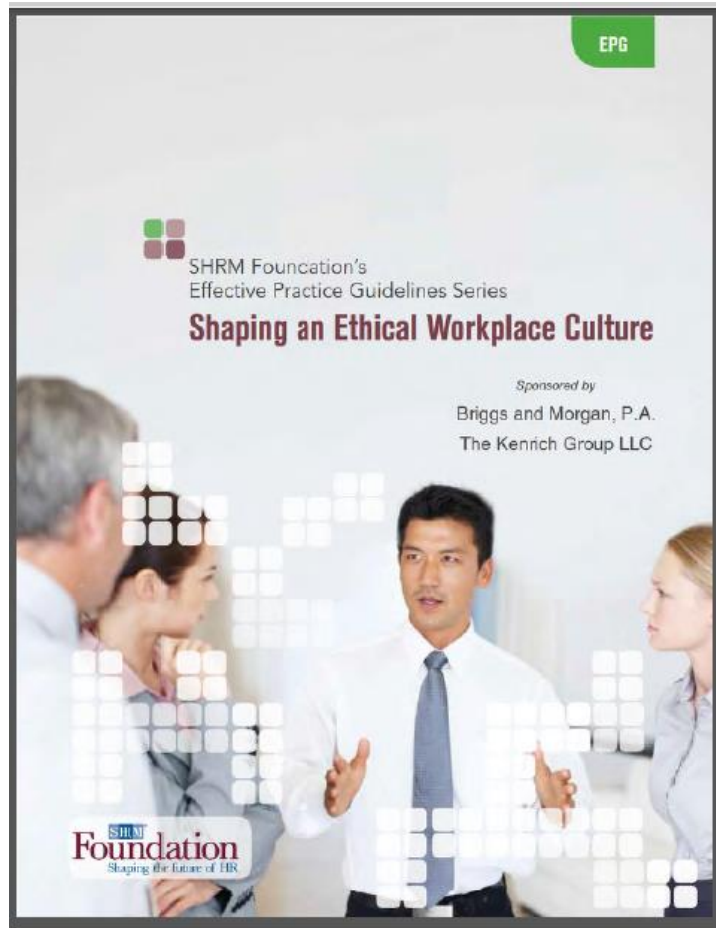
2014 SHRM Foundation

***Shaping an Ethical Workplace Culture***

[www.shrm.org/foundation](www.shrm.org/foundation)

*"Ethics – the values an organization demonstrates in its goals, policies, and practices – are the heart of any workplace culture.  And, the quality of experience in an organization depends on the quality of the culture. Whether we are employees, customers, or clients, a positive culture enlivens our experience of a firm – and a negative culture diminishes it."*

Steven D. Olson
Shaping an Ethical Workplace Culture
SHRM Foundation 2014 EPG Report

# Ethical Culture Hallmarks
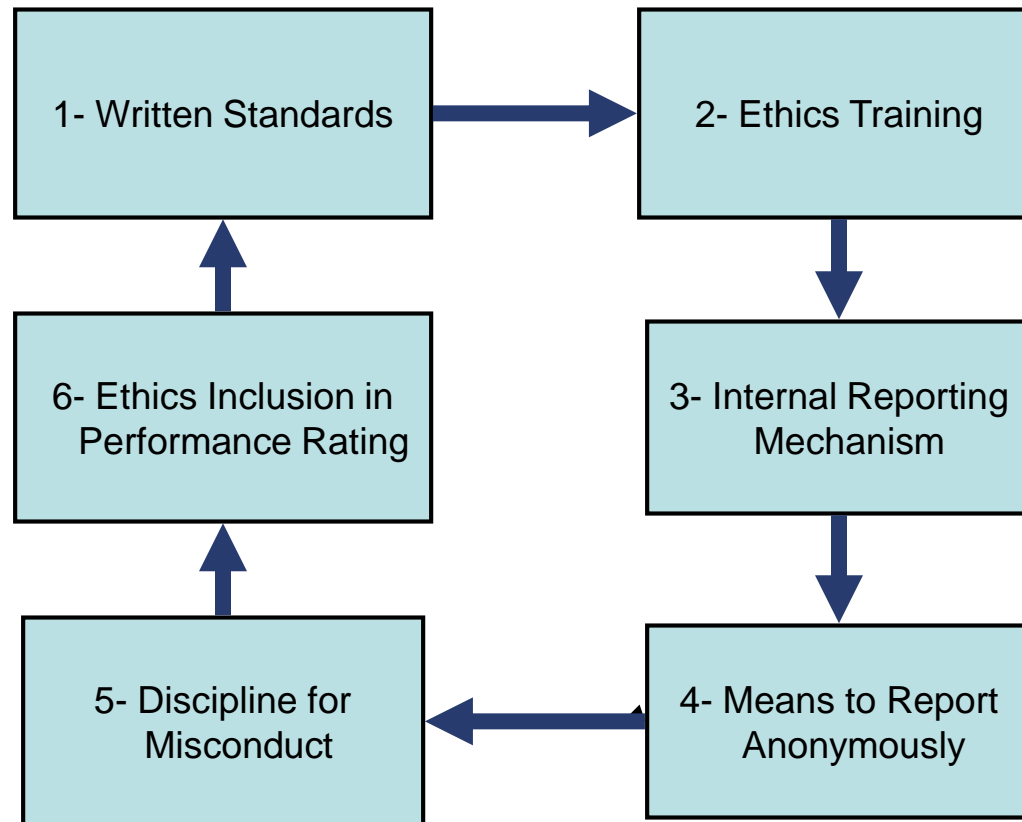
1. <u>Leaders</u> live by clear standards and self-transcending principles.

2. <u>Employees</u> feel genuinely cared for and respected.

3. <u>Employees</u> put the work at hand and the interests of others above themselves.

4. <u>Employees</u> feel empowered and energized to reach for ethical and technical excellence in serving customers, clients, and each other.

<u>Source:</u>  April 2014 HR Magazine article:  "Creating an Ethical Culture" by Dori Meinert

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# Ethical Culture Hallmarks

5.  <u>Employees</u> hold themselves and their managers accountable to uncompromising standards of conduct.

6.  <u>People at all levels</u> move toward, not away from, ethical dilemmas and conflicts in order to address them through self-transcending ideals.

7.  <u>Ethical lessons learned</u> during conflicts alter the organization's practices, setting in motion a virtuous cycle of improvement.

<u>Source:</u>  April 2014 HR Magazine article:  "Creating an Ethical Culture" by Dori Meinert

# Six Basic Elements



```
1- Written Standards  →  2- Ethics Training
        ↑                        ↓
6- Ethics Inclusion in    3- Internal Reporting
Performance Rating             Mechanism
        ↑                        ↓
5- Discipline for    ←    4- Means to Report
   Misconduct              Anonymously
```

Source:  US Sentencing Commission FSGO guidelines 2004  ©SHRM 2015

## Written Standards

Values statements: Reflect an organization's guiding principles

Codes of conduct: Reflect an organization's values and provide guidelines employees should follow

# Would you fire an exceptional employee if using Social Media during work hours???

# Ethics Training



Training and development programs at organizations with ethical cultures emphasize character formation, resolution of conflicting values, and a "calling" orientation towards work and career

# **Internal Reporting/Advice Mechanism**



Options for employees to report or seek advice about possible legal or code of conduct violations

Employees encouraged to report concerns to their supervisor and, if they are not comfortable with this option, to contact HR

# **Anonymous Reporting Mechanism**



Confidential, anonymous hotline for employees not comfortable with using the internal mechanism

SHRM's hotline is conducted by a third party ethics hotline, which provides 24 hour toll-free telephone and internet service to answer, report and track ethics concerns

# Discipline for Misconduct

HR and legal departments - review ethics complaints and decide on appropriate action

Code of conduct - make clear violators may be subject to discipline up to and including termination of employment and even possible civil or criminal penalties

No retaliation!

# Do you allow employees to discuss wages???

# Ethics in Performance Rating

Organizations should include measures of ethical behavior in performance ratings to help focus employees' attention on its importance

Doing so serves as a tool to reward those who excel in this area and to incentivize all employees to strive for high ethical behavior

# Compliance with Legal Regulations

## Sarbanes-Oxley Act of 2002

Passed by Congress after major scandals

Publicly-traded companies must have adequate internal control structure and procedures for financial reporting

They must also have a code of conduct, a complaint system, an anti-retaliation statement, ethics training, and a system to protect whistleblowers

# Compliance with Legal Regulations

**Foreign Corrupt Practices Act of 1977**

<u>Prohibited payments</u>:  Offers, payments, or gifts to foreign government officials, parties, or candidates to obtain or retain business

<u>Accounting standards</u>:  Keep books, records, and accounts in detail, accurately reflecting transactions and corporate asset disposition

<u>Applies to</u>:  US citizens and residents, US companies and employees, and US citizens involved in foreign subsidiary activities

# Leadership Role of HR

HR is in a unique position to lead in strategies to build an ethical workplace culture

HR professionals should be both guardians and champions of the ethical culture in their organizations
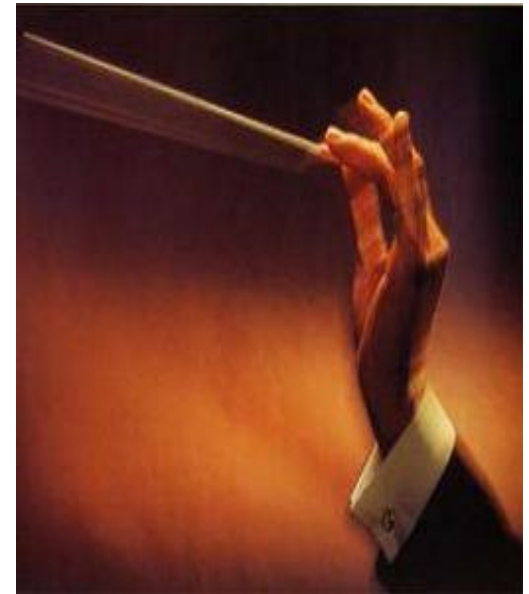
# Assess your Workplace Culture

**<u>Measure 3 Factors:</u>**

Ethical Content
Ethical Operations
Ethical Individuals

# Assess Your Workplace Culture

## Ethical Culture Inventory

Rate your organization on each of the 21 levers described below, according to the criteria shown here at the right.

| | | | | |
|---|---|---|---|---|
| -2 weak | -1 | 0 uncertain | 1 | 2 strong |

**Ethical Clarity**
We make our ethical expectations—our values, norms and rules—clear, concrete and understandable for all recruits, managers and employees.

**Self-Transcending Values**
The values that drive our mission and value-creation insist on employees' excellence in serving the welfare and interests of our customers, clients and co-workers.

**Ethical Competency**
Our ethics training includes clear criteria for the competencies we expect managers to possess or develop to fulfill the organization's ethical expectations.

**Ethics Communications**
All formal and informational communications by managers and management (websites, newsletters, e-mails, etc.) describe the ethical issues occurring within the organization and industry in explicitly ethical terms.

**Respect for Employees' Rights**
We regularly communicate to our employees their workplace rights and actively support their exercise of those rights.

**Respect for Employees' Dignity**
We insist that all managers and employees treat each other with dignity and respect.

**Employee Input**
We ask for employee input on decisions that affect them and their work before those decisions are made.

**Fairness in Decision-Making**
We make decisions regarding performance, pay and promotion impartially, according to clearly understood criteria.

**Consistent Decision-Making**
We apply our rules consistently to all people, regardless of role or status.

**Honest Communications**
All our managers tell people honestly why decisions are made.

**Ethical Transparency**
We make information about ethical and unethical conduct inside our organization and its consequences visible to all managers and employees.

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# Use Organizational Levers

1. Onboarding

2. Ethics and Compliance Programs

3. Pay, Performance, Promotion, Procedures

4. Leadership Role-modeling

5. Training and Development

6. Workplace Communications and Routines

7. Culture Surveys and Feedback Tools
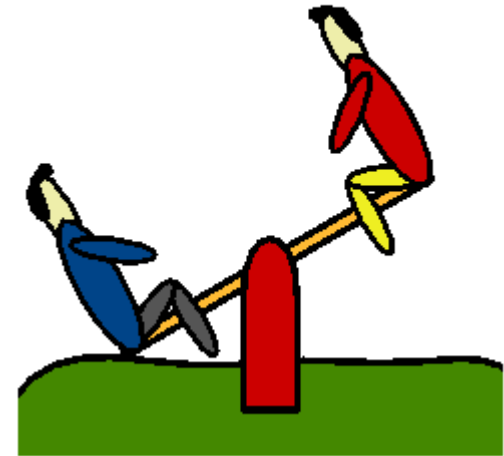
## Onboarding



The best place to start shaping an ethical workplace is at the beginning of each employee's experience with your organization

In addition to framing your organization's ethical guidelines, examples from your own case files can be used to help new employees understand exactly what is expected of them

## Ethics and Compliance Programs

The most effective ethics and compliance programs are integrated closely with training and development departments and with senior management

HR professionals need to understand their organizations' ethics and compliance programs requirements and be able to integrate them into their ethical culture strategies

## **Pay, Performance, Promotion, Procedures**

The criteria for pay, performance, and promotion should be made clear to all employees so that they are perceived to be fair and consistently upheld throughout the organization

One way to demonstrate that ethics matter is by acknowledging, rewarding and/or promoting high performers who live and model your organization's values and ethical standards

## **Leadership Role-modeling**

Leadership role-modeling of consistent adherence to an organization's rules, procedures, and values is the linchpin of an ethical workplace culture

Schedule regular ethics "reset" sessions in which supervisors at all levels are reminded of core values and updated on organizational ethics issues

# Training and Development



Ethics training programs should emphasize character formation, the resolution of conflicting values, and a "calling" orientation towards work and career

## NBES 2013 Survey

74% in 2011
81% in 2013

# What does your Ethics Training Look Like???

Ethic Training Video

# Workplace Communications and Routines

Formal and informal communications of employees' day-to-day work experience are a rich resource for shaping an ethical culture

Make use of organizational symbols and ceremonies to express and reinforce employees' ethical expectations  and identification with your organization's values

## Culture Surveys and Feedback Tools

Engagement surveys: include measures related to desired aspects of an ethical culture

Always follow effective practice guidelines when using survey data to help foster the sense of fairness among employees

# Special Role of Top Managers

The tone set by top managers goes a long way toward shaping the overall ethics of a workplace

Executives who speak and act courageously on behalf of the organization's highest ethical ideals represent the best form of ethical leadership:
**personal example**



**NBES 2013 Survey**
Senior managers vs lower-level managers

# **Special Role of Top Managers**



## 2015 ERC Report on Ethical Leadership

- Seek out personal character when hiring and make 24-7 integrity a job expectation

- Educate managers about the way employees evaluate leaders

- Encourage leaders to share credit for success and seek honest feedback from employees

- Annually review business objectives and policies to ensure they promote ethical performance

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## Characteristics of Ethical Practice



**Definition:** Integration of integrity and accountability throughout all organizational and business practices

Adherence to the organization's core values and ethical guidelines

HR professionals help to drive their organizations' ethical climate by responding to ethical issues

# Behaviors at Highest Level of Proficiency

1. Maintains confidentiality
2. Responds immediately to all reports of unethical behavior or conflicts of interest
3. Empowers all employees to report unethical behavior without fear of reprisal
4. Acknowledges mistakes

## Behaviors at Highest Level of Proficiency

5. Drives the corporate ethical environment

6. Recognizes bias in self and others and takes measures to mitigate bias in business decisions

7. Maintains appropriate levels of transparency in organizational practices

8. Ensures that all stakeholder voices are heard

9. Manages political and social pressures when making decisions

- Encourage HR professionals to acquire the knowledge and behaviors that drive effective performance and career success and contribute to positive organizational outcomes;

- Establish a certification that is highly relevant to employers and meets the needs of business;

- Grow certification in the HR profession; and

- Create a new and universal standard for HR

- **Find out more at [www.shrm.org/certification](http://www.shrm.org/certification)**

**HR must take a leading role in efforts to build ethical workplace cultures to deter misconduct and help the organizational bottom line**

Research shows that an ethical workplace culture improves company performance, employee engagement, and provides many other benefits

An ethical workplace culture has six elements: Written standards, ethics training, an internal reporting mechanism, an anonymous reporting mechanism, disciplinary action, and ethics as part of performance appraisals

Onboarding and the other organizational levers outlined in this presentation are key vehicles to use to advance ethical workplace strategies

Ethical practice is a critical competency for all HR professionals and is one of the nine competencies required for SHRM Certification

HR Magazine article
April, 2014 issue
"Creating an Ethical Culture"
By Dori Meinert
www.shrm.org/publications/hrmagazine

SHRM Code of Ethics for HR Professionals
www.shrm.org/about/bylaws

SHRM Toolkit: Ethics and Corporate Social Responsibility
www.shrm.org/templatestools/toolkits

www.shrm.org/hrdisciplines/ethics

# *THANK YOU!*

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